

**REPORT OF THE AUDIT OF THE
GRANT COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2002**



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE GRANT COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2002**

The Auditor of Public Accounts has completed the Grant County Fiscal Court audit for fiscal year ended June 30, 2002. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Fund balances increased by \$311,910 from the beginning of the year, resulting in a cash surplus of \$5,366,832 as of June 30, 2002.

Debt Obligations:

Total bonded debt principal as of June 30, 2002, was \$8,105,000. Future collections of \$12,183,302 are needed over the next twenty-two years to pay all bonded debt principal.

Capital lease principal agreements totaled \$2,829,000 as of June 30, 2002. Future principal and interest payments of \$4,497,297 are needed to meet these obligations.

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities or bonds.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Ernie Fletcher, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Debra Eucker, Commissioner, Department of Law, Revenue Cabinet

Honorable Darrell Link, Grant County Judge/Executive

Members of the Grant County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and equity arising from cash transactions of Grant County, Kentucky, as of June 30, 2002, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Grant County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Grant County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity arising primarily from cash transactions as of June 30, 2002 of Grant County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting.



To the People of Kentucky
Honorable Ernie Fletcher, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Debra Eucker, Commissioner, Department of Law, Revenue Cabinet
Honorable Darrell Link, Grant County Judge/Executive
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In accordance with Government Auditing Standards, we have also issued our report dated September 22, 2003, on our consideration of Grant County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Grant County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
September 22, 2003

GRANT COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2002

Fiscal Court Members:

Darrell L. Link	County Judge/Executive
Patricia Conrad	Magistrate
Kenneth Messer	Magistrate
Richard Austin	Magistrate

Other Elected Officials:

James Purcell	County Attorney
Steve Kellam	Jailer
Judith Fortner	County Clerk
Shirley Wilson	Circuit Court Clerk
Randall Middleton	Sheriff
Phyllis Beach	Property Valuation Administrator
Marylee Willoby	Coroner

Appointed Personnel:

Roger L. Wagoner	County Treasurer
Evalene Davis	Deputy County Judge/Executive
Connie McClure	Finance Officer

STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

GRANT COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

June 30, 2002

	Governmental Fund Type			Proprietary Fund Type	Totals (Memorandum Only)
	General	Debt Service	Enterprise		
<u>Assets and Other Resources</u>					
<u>Assets</u>					
Cash and Cash Equivalents	\$ 4,270,749	\$ 976,721	\$ 119,362	\$	5,366,832
Total Assets	\$ 4,270,749	\$ 976,721	\$ 119,362	\$	5,366,832
<u>Other Resources</u>					
Amounts to Be Provided in Future Years for:					
Capital Lease	\$ 2,829,000	\$	\$	\$	2,829,000
Bond Payments		7,128,279			7,128,279
Total Other Resources	\$ 2,829,000	\$ 7,128,279	\$ 0	\$	9,957,279
Total Assets and Other Resources	\$ 7,099,749	\$ 8,105,000	\$ 119,362	\$	15,324,111

The accompanying notes are an integral part of the financial statements.

GRANT COUNTY
 STATEMENT OF ASSETS, LIABILITIES,
 AND EQUITY ARISING FROM CASH TRANSACTIONS
 June 30, 2002
 (Continued)

	Governmental Fund Type		Proprietary Fund Type	Totals (Memorandum Only)
	General	Debt Service	Enterprise	
<u>Liabilities and Equity</u>				
<u>Liabilities</u>				
Capital Lease	\$ 2,829,000	\$	\$	\$ 2,829,000
Bonds:				
Series 1995		680,000		680,000
Series 1998		7,425,000		7,425,000
Total Liabilities	<u>\$ 2,829,000</u>	<u>\$ 8,105,000</u>	<u>\$ 0</u>	<u>\$ 10,934,000</u>
<u>Equity</u>				
Retained Earnings:				
Restricted	\$	\$	\$ 119,362	\$ 119,362
Fund Balances:				
Unreserved	<u>4,270,749</u>			<u>4,270,749</u>
Total Equity	<u>\$ 4,270,749</u>	<u>\$ 0</u>	<u>\$ 119,362</u>	<u>\$ 4,390,111</u>
Total Liabilities and Equity	<u><u>\$ 7,099,749</u></u>	<u><u>\$ 8,105,000</u></u>	<u><u>\$ 119,362</u></u>	<u><u>\$ 15,324,111</u></u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

GRANT COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

For The Fiscal Year Ended June 30, 2002

	<u>General Fund Type</u>		
	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Jail Fund</u>
<u>Cash Receipts</u>			
Schedule of Operating Revenue	\$ 5,122,271	\$ 951,765	\$ 2,664,256
Receipts - Jail Canteen			
Other Financing Sources:			
Transfers In		400,000	
Kentucky Advance Revenue Program		1,646,900	
Total Cash Receipts	<u>\$ 5,122,271</u>	<u>\$ 2,998,665</u>	<u>\$ 2,664,256</u>
<u>Cash Disbursements</u>			
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 4,361,923	\$ 1,322,331	\$ 2,024,855
Expenditures - Jail Canteen			
Other Financing Uses:			
Schedule of Public Properties			
Corporation Expenditures			
Transfers Out	400,000		377,585
Bonds:			
Principal Paid			
Interest Paid			
Capital Leases - Principal			
Corinth Water District	35,000		
Bullock Pen - Phase III	45,000		
Health Department	24,000		
Bullock Pen - Phase IV	12,000		
Kentucky Advance Revenue Program Repaid		1,646,900	
Total Cash Disbursements	<u>\$ 4,877,923</u>	<u>\$ 2,969,231</u>	<u>\$ 2,402,440</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 244,348	\$ 29,434	\$ 261,816
Cash Balance - July 1, 2001	<u>3,391,890</u>	<u>60,582</u>	<u>126,605</u>
Cash Balance - June 30, 2002	<u><u>\$ 3,636,238</u></u>	<u><u>\$ 90,016</u></u>	<u><u>\$ 388,421</u></u>

The accompanying notes are an integral part of the financial statements.

GRANT COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
For The Fiscal Year Ended June 30, 2002
(Continued)

General Fund Type		Debt Service Fund Type	Enterprise Fund Type	
Local Government Economic Assistance Fund	Forestry Fund	Public Properties Corporation Fund	Jail Canteen Fund	Totals (Memorandum Only)
\$ 33,467	\$ 1,479	\$ 14,923	\$ 606,381	\$ 8,788,161
				606,381
		377,585		777,585
				1,646,900
<u>\$ 33,467</u>	<u>\$ 1,479</u>	<u>\$ 392,508</u>	<u>\$ 606,381</u>	<u>\$ 11,819,027</u>
\$ 27,028	\$ 1,350	\$	\$ 619,187	\$ 7,737,487
				619,187
		1,794		1,794
				777,585
		220,000		220,000
		388,164		388,164
				35,000
				45,000
				24,000
				12,000
				1,646,900
<u>\$ 27,028</u>	<u>\$ 1,350</u>	<u>\$ 609,958</u>	<u>\$ 619,187</u>	<u>\$ 11,507,117</u>
\$ 6,439	\$ 129	\$ (217,450)	\$ (12,806)	\$ 311,910
9,161	869	1,194,172	132,168	4,915,447
<u>\$ 15,600</u>	<u>\$ 998</u>	<u>\$ 976,722</u>	<u>\$ 119,362</u>	<u>\$ 5,227,357</u>

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH
FLows-PROPRIETARY FUND TYPE

GRANT COUNTY
STATEMENT OF CASH
FLOWS-PROPRIETARY FUND TYPE

For The Fiscal Year Ended June 30, 2002

	<u>Enterprise Fund</u> <u>Jail Canteen Fund</u>
Cash Flows From Operating Activities:	
Cash Received From Inmate Sales	\$ 228,821
Interest Received on Bank Accounts	2,667
State Payments	22,791
Inmate Account - Wire Transfers	4,570
Reimbursements	6,352
Other Receipts	1,188
Payments to Suppliers	(196,682)
Payments to Fiscal Court - Inmate Fees	(173,470)
Entertainment	(11,710)
Sales Tax	(3,403)
Other Payments	<u>(2,237)</u>
Net Cash Used By Operating Activities	<u>\$ (121,113)</u>
Cash Flows From Noncapital Financing Activities:	
Cash Received on Inmate Accounts	\$ 487,261
Inmate Refunds	(131,517)
Inmate Account Transfers	<u>(215,026)</u>
Net Cash Provided by Noncapital Financing Activities	<u>\$ 140,718</u>
Cash Flows From Capital And Related Financing Activities:	
Acquisition and Construction of Capital Assets	<u>\$ (32,411)</u>
Net Cash Used by Capital and Related Financing Activities	<u>\$ (32,411)</u>
Net Decrease in Cash	\$ (12,806)
Cash and Cash Equivalents - Beginning	132,168
Cash and Cash Equivalents - Ending	<u><u>\$ 119,362</u></u>
Reconciliation of Operating Loss to Net Cash	
Used by Operating Activities:	
Operating Loss	\$ (12,806)
Net Changes in Assets and Liabilities:	
Assets	<u>(108,307)</u>
Net Cash Used by Operating Activities	<u><u>\$ (121,113)</u></u>

The accompanying notes are an integral part of the financial statements.

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2002

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Grant County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, management has included the Grant County Public Properties Corporation Fund as part of the reporting entity.

The Grant County Public Properties Corporation is established for the purpose of providing long-term financing for approved projects. The Grant County Fiscal Court is financially accountable for the component unit; therefore, management must include the component unit as part of the reporting entity and its financial activity is blended with that of the Fiscal Court.

Additional - Grant County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Grant County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Grant County Fiscal Court's fund types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Grant County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, and the Forestry Fund.

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and includes funds for the Public Properties Corporation Fund. Debt service is provided through annual transfers from the General Fund Type in the amount of the debt service requirements for the year.

3) Enterprise Fund Type

The Enterprise Fund Type is used to report an activity for which a fee is charged to external users for goods or services. The Grant County Enterprise Fund Type includes the Jail Canteen Fund, which is maintained by the county jailer.

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations. All profit expenditures were for the benefit and/or recreation of the inmates.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Legal Compliance - Budget

The Grant County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Public Properties Corporation Fund and the Jail Canteen Fund because bond indentures and other relevant contractual provisions require specific payments to and from these funds annually and transfers are budgeted in the General Fund Type to comply with these requirements. The Department for Local Government does not require these funds to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent. Hazardous covered employees are required to contribute 7 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.28 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2002, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 4. Long-Term Debt

Bonds outstanding of the Grant County Public Properties Corporation Fund are:

- A. The Grant County Public Properties Corporation issued \$910,000 First Mortgage Revenue Bonds dated August 1995, for the construction of a jail. Principal payments are due each year on July 1. Interest on the bonds is payable each July 1 and January 1, and began on January 1, 1996. The Public Properties Corporation holds a \$91,000 certificate of deposit at Eagle Bank. The semi-annual interest earned on the certificate of deposit is applied toward the debt service amount due. The principal balance outstanding for the bond issue as of fiscal year ended June 30, 2002 was \$680,000. Future principal and interest requirements are:

Fiscal Year Due	Interest Rate	Scheduled Interest	Principal Amount
2002-03	5.20%	\$ 40,425	\$ 40,000
2003-04	5.30%	38,325	40,000
2004-05	5.40%	36,185	40,000
2005-06	5.50%	33,868	45,000
2006-07	5.60%	31,370	45,000
2007-12	5.7-6.0%	111,415	285,000
2012-14	6.00%	16,350	225,000
Total Principal			\$ 720,000
Less: Principal Due July 2002, Paid June 2002			40,000
Total Principal Outstanding			<u>\$ 680,000</u>

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 4. Long-Term Debt (continued)

B. The Grant County Public Properties Corporation issued \$7,775,000 First Mortgage Revenue Bonds dated August 1998, for the construction of a jail addition. Principal payments are due each year on July 1, in the amounts indicated below starting July 1, 2000. Interest on the bonds is payable each July 1 and January 1, beginning January 1, 1999. The principal balance outstanding for this bond issue as of June 30, 2002 was \$7,425,000. Future principal and interest requirements are:

Fiscal Year Due	Interest Rate	Scheduled Interest	Principal Amount
2002-03	4.60%	\$ 343,734	\$ 185,000
2003-04	4.60%	334,994	195,000
2004-05	4.60%	325,909	200,000
2005-06	4.60%	316,479	210,000
2006-07	4.60%	306,589	220,000
2007-12	4.63%	1,366,696	1,265,000
2012-17	4.70%	1,035,142	1,600,000
2017-22	4.70%	608,291	2,050,000
2022-25	4.75%	109,251	1,500,000
Total Principal Outstanding			<u>\$ 7,425,000</u>

The total bond principal outstanding for the Public Properties Corporation Fund, shown in the debt service schedules above, as of June 30, 2002, was \$8,105,000.

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 5. Lease-Purchase Agreements

The county has entered into the following capital lease-purchase agreements:

- A. Grant County entered into a lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) for the construction of rural waterlines by the Corinth Water District. A total of \$1,245,000 was awarded to Grant County on March 31, 1994. The agreement calls for Grant County to make variable annual payments for twenty-five years beginning January 1995, and ending January 2019, with the option to renew the lease each year. Interest is paid monthly at an effective rate of 5.37 percent. The outstanding principal balance as of June 30, 2002, was \$1,008,000. Future principal and interest requirements under this lease are:

<u>Fiscal Year Due</u>	<u>Scheduled Interest</u>	<u>Principal Amount</u>
2002-03	\$ 63,458	\$ 37,000
2003-04	61,040	39,000
2004-05	58,466	42,000
2005-06	55,728	44,000
2006-07	52,862	46,000
2007-12	215,404	273,000
2012-17	115,889	356,000
2017-19	12,004	<u>171,000</u>
Total Principal Outstanding		<u>\$ 1,008,000</u>

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 5. Lease-Purchase Agreements (continued)

B. Grant County entered into a lease agreement with KACoLT for the construction of waterlines for the Bullock Pen – Phase III Water Expansion Project. A total of \$1,500,000 was awarded to Grant County during fiscal year ended June 30, 1996. The agreement calls for Grant County to make annual payments beginning September 1995, and ending February 2019. Interest is paid monthly at an effective rate of 5.45 percent. The outstanding principal balance as of June 30, 2002, was \$1,265,000. Future principal and interest requirements under this lease are:

<u>Fiscal Year Due</u>	<u>Scheduled Interest</u>	<u>Principal Amount</u>
2002-03	\$ 80,627	\$ 47,000
2003-04	77,503	50,000
2004-05	74,212	52,000
2005-06	70,765	55,000
2006-07	67,123	58,000
2007-12	273,553	342,000
2012-17	147,291	446,000
2017-19	15,305	<u>215,000</u>
Total Principal Outstanding		<u>\$ 1,265,000</u>

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 5. Lease-Purchase Agreements (continued)

- C. Grant County entered into a lease agreement with KACoLT for the expansion of Health Department facilities. A total of \$400,000 was awarded to Grant County. The agreement calls for Grant County to make variable annual payments for fifteen years beginning June 1996, and ending February 2011. Interest is paid monthly at an effective rate of 5.35 percent. The outstanding principal balance as of June 30, 2002, was \$276,000. Future principal and interest requirements under this lease are:

Fiscal Year Due	Scheduled Interest	Principal Amount
2002-03	\$ 16,928	\$ 25,000
2003-04	15,308	26,000
2004-05	13,624	27,000
2005-06	11,850	29,000
2006-07	9,975	30,000
2007-11	19,064	139,000
Total Principal Outstanding		<u>\$ 276,000</u>

- D. Grant County entered into a lease agreement with KACoLT for the construction of waterlines for the Bullock Pen Water Expansion Project - Phase IV. A total of \$336,000 was awarded to Grant County. The agreement calls for Grant County to make annual payments beginning October 1996, and ending February 2016. Interest is paid monthly at an effective rate of 5.13 percent. The outstanding principal balance as of June 30, 2002, was \$280,000. Future principal and interest requirements under this lease are:

Fiscal Year Due	Scheduled Interest	Principal Amount
2002-03	\$ 16,815	\$ 13,000
2003-04	15,993	14,000
2004-05	15,111	15,000
2005-06	14,167	16,000
2006-07	13,187	16,000
2007-12	49,603	96,000
2012-16	15,442	110,000
Total Principal Outstanding		<u>\$ 280,000</u>

The total principal outstanding as of June 30, 2002 for the four capital leases listed above is was \$2,829,000.

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 5. Lease-Purchase Agreements (continued)

The capital leases listed above were subsequently sub-leased to each applicable district. The districts make monthly payments to the county for the debt service requirements in accordance with the sub-lease agreements.

Note 6. Insurance

For the fiscal year ended June 30, 2002, Grant County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

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COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

GRANT COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

<u>Budgeted Funds</u>	Budgeted Operating Revenue	Actual Operating Revenue	Over (Under) Budget
<u>General Fund Type</u>			
General Fund	\$ 6,652,227	\$ 5,122,271	\$ (1,529,956)
Road and Bridge Fund	1,481,522	951,765	(529,757)
Jail Fund	2,508,460	2,664,256	155,796
Local Government Economic Assistance Fund	27,350	33,467	6,117
Forestry Fund	1,470	1,479	9
Totals	<u>\$ 10,671,029</u>	<u>\$ 8,773,238</u>	<u>\$ (1,897,791)</u>

Reconciliation

Total Budgeted Operating Revenue Above	\$ 10,671,029
Add: Budgeted Prior Year Surplus	2,216,927
Less: Other Financing Uses	<u>(2,970,885)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures	<u>\$ 9,917,071</u>

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SCHEDULE OF OPERATING REVENUE

GRANT COUNTY
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

<u>GOVERNMENTAL FUND TYPE</u>			
<u>Revenue Categories</u>	<u>Totals (Memorandum Only)</u>	<u>General Fund Type</u>	<u>Debt Service Fund Type</u>
Taxes	\$ 1,711,092	\$ 1,711,092	\$
Excess Fees	117,539	117,539	
Licenses and Permits	94,083	94,083	
Intergovernmental Revenues	5,344,886	5,344,886	
Charges for Services	166,237	166,237	
Miscellaneous Revenues	1,210,105	1,210,105	
Interest Earned	144,219	129,296	14,923
Total Operating Revenue	<u>\$ 8,788,161</u>	<u>\$ 8,773,238</u>	<u>\$ 14,923</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

GRANT COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2002

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 1,696,954	\$ 1,599,848	\$ 97,106
Protection to Persons and Property	2,118,816	2,078,591	40,225
General Health and Sanitation	866,195	820,647	45,548
Social Services	25,635	21,135	4,500
Recreation and Culture	284,883	274,247	10,636
Roads	1,420,667	1,273,504	147,163
Other Transportation Facilities and Services	6,000	6,000	
Debt Service	330,167	156,485	173,682
Capital Projects	1,500,000	699,901	800,099
Administration	1,667,754	807,129	860,625
 Total Operating Budget - General Fund Type	 \$ 9,917,071	 \$ 7,737,487	 \$ 2,179,584
 Other Financing Uses:			
Transfers to Public Properties			
Corporation Fund-			
Principal	220,000	220,000	
Interest	157,585	157,585	
Borrowed Money-			
Kentucky Advanced Revenue			
Program - Principal	2,477,300	1,646,900	830,400
Capital Lease Agreements-			
Principal on Leases	116,000	116,000	
 TOTAL BUDGET - GENERAL FUND TYPE	 \$ 12,887,956	 \$ 9,877,972	 \$ 3,009,984

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SCHEDULE OF PUBLIC PROPERTIES CORPORATION FUND EXPENDITURES

GRANT COUNTY
SCHEDULE OF PUBLIC PROPERTIES CORPORATION FUND EXPENDITURES

Fiscal Year Ended June 30, 2002

	<u>DEBT SERVICE FUND TYPE</u>
<u>Expenditure Items</u>	<u>Public Properties Corporation Fund</u>
Trustee Fee	\$ 1,500
Treasurer's Bond	290
Filing Fee	<u>4</u>
Totals	<u>\$ 1,794</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Ernie Fletcher, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Debra Eucker, Commissioner, Department of Law, Revenue Cabinet
Honorable Darrell Link, Grant County Judge/Executive
Members of the Grant County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Grant County, Kentucky, as of and for the year ended June 30, 2002, and have issued our report thereon dated September 22, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Grant County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Grant County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
September 22, 2003

CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

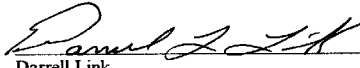
GRANT COUNTY FISCAL COURT

For The Fiscal Year Ended
June 30, 2002

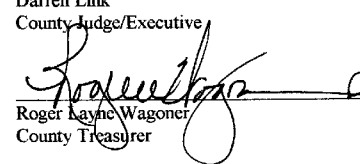
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
GRANT COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2002

The Grant County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Darrell Link
County Judge/Executive



Roger Wayne Wagoner
County Treasurer

